

C. Program Policies

| | Page |
|--|-------------|
| Actuarial Margin | C-1 |
| Actuarial Review | C-2 |
| Board Agenda | C-3 |
| Board Meetings | C-4 |
| Board Members' Code of Conduct | C-5 |
| Deductions from Annuity Checks | C-6 |
| Disclosure to Membership | C-7 |
| Employer Payment Plan Models | C-8 |
| Employer Payment Plan Models – State Agencies and Institutions | C-9 |
| Employer Reporting Errors | C-10 |
| Employer Reports | C-11 |
| Head Start Program Employees | C-12 |
| Information Dissemination | C-13 |
| Level Income Option | C-14 |
| Military Service Credit | C-15 |
| Outreach Program Facilities | C-16 |
| Payment of Benefits | C-17 |
| PERS Retirement Plan Election (DPI and CTE) | C-18 |
| Retirement Benefit Payments | C-19 |
| TIAA-CREF Offset Calculation | C-20 |
| Travel | C-21 |
| Voiding Checks | C-22 |

Policy Type: TFFR Program

Policy Title: Actuarial Margin

It shall be the policy of the TFFR Board of Trustees that the division of the benefit improvements (as measured by margin used) between active and retired members is approximately proportional to the number of members in each group. This requirement will be considered to be met if the fractions F and F' defined below are within five (5.0) percentage points of one another.

F is equal to (i) the margin spent on retiree improvements, divided by (ii) the total margin spent.

F' is equal to (i) the number of retirees, divided by (ii) the total number of members.

For purposes of this policy, retired members will include all members currently receiving benefits, including service retirees, disabled retirees, and beneficiaries receiving benefits; vested inactive members will be included with active members; and the total number of members will include retirees, active members, and vested inactive members, but will exclude nonvested inactive members. The membership statistics used for this purpose will be those from the most recently completed actuarial valuation.

TFFR Board Adopted: May 30, 1996.

It shall be the policy of the TFFR Board of Trustees that an actuarial valuation of the fund be performed or reviewed by an independent actuary on an annual basis.

The annual actuarial valuation report must include the following certifications:

1. The valuation must be performed by an independent actuary who is a member of the American Academy of Actuaries and has experience in performing valuations for public retirement systems.
2. The valuation must be prepared in accordance with principles of practice prescribed by the Actuarial Standards Board.
3. The calculations must be performed by qualified actuaries in accordance with accepted actuarial procedures, based on the current provisions of the retirement system and on actuarial assumptions that are internally consistent and reasonably based on the actual experience of the system.

Furthermore, an actuarial review of the system's actuarial valuation is to be performed at least every tenth year. The review is to include an evaluation by an independent actuary, other than the one who performs the plan's actuarial valuation, for the purpose of expressing an opinion on the reasonableness or accuracy of the actuarial assumptions, actuarial cost methods, valuation results, contribution rates, and certifications as described above.

An actuarial experience study must be performed at least every five years. The experience study is to include mortality, retirement, employment turnover, and other necessary items required by the board.

An asset-liability study must also be performed at least every five years, or more frequently as determined by the board. The asset-liability study will project the active and retired membership over a specific time-horizon and under various asset allocations.

TFFR Board Adopted: February 24, 1994.

Amended: July 16, 1998.

Policy Type: TFFR
Program

Policy Title: Board Agenda

It shall be the policy of the TFFR Board of Trustees that any individual or organization who desires to appear on the agenda of a scheduled meeting should notify the Deputy Executive Director/Retirement Officer in writing at the administrative office ten working days prior to the meeting date. Subject to approval by the Board President, the individual will be placed on a board meeting agenda.

TFFR Board Adopted: March 27, 1977.

Amended: July 16, 1998; November 18, 1999, September 25, 2008.

Policy Type: TFFR
Program

Policy Title: Board Meetings

It shall be the policy of the TFFR Board of Trustees to conduct six board meetings each year. Meetings will be scheduled for the day preceding the SIB meetings beginning in July of each year.

Special board meetings may be called in accordance with NDCC 15-39.1-06.

TFFR Board Adopted: May 27, 1993.

Amended: July 16, 1998.

The following shall be the Code of Ethical Responsibility for the TFFR Board of Trustees:

1. Board members owe a duty to conduct themselves so as to inspire the confidence, respect, and trust of the TFFR members and to strive to avoid not only professional impropriety, but also the appearance of impropriety.
2. Board members shall perform the duties of their offices impartially and diligently. Board members are expected to fulfill their responsibilities in accord with the intent of all applicable laws and to refrain from any form of dishonest or unethical conduct. Board members shall be unswayed by partisan interest, public sentiment, or fear of criticism.
3. Conflicts of interest and the appearance of impropriety shall be avoided by Board members. Board members shall not allow their family, social, professional, or other relationships to influence their judgment in discharging their responsibilities. Board members shall refrain from financial and business dealings that tend to reflect adversely on their impartiality or interfere with the proper performance of their duties. If a conflict of interest unavoidably arises, the board member shall immediately disclose the conflict to the Board. Conflicts of interest to be avoided include, but are not limited to: receiving consideration for advice given to a person concerning any matter over which the board member has any direct or indirect control, acting as an agent or attorney for a person in a transaction involving the board, and participation in any transaction for which the board member has acquired information unavailable to the general public, through participation on the board.

“Conflict of Interest” means a situation in which a board member has a direct and substantial personal or financial interest in a matter which also involves the member’s fiduciary responsibility.

4. The Board shall not unnecessarily retain consultants. The hiring of consultants shall be based on merit, avoiding nepotism and preference based upon considerations other than merit that may occur for any reason, including prior working relationships. The compensation of such consultants shall not exceed the fair value of services rendered.
5. Board members shall abide by NDCC 21-10-09, which reads: “No member, officer, agent, or employee of the state investment board shall profit in any manner from transactions on behalf of the funds. Any person violating any of the provisions of this section shall be guilty of a class A misdemeanor.”

6. Board members shall perform their respective duties in a manner that satisfies their fiduciary responsibilities.
7. Political contributions are regulated under NDCC 16.1-08-03 and are not restricted under this ethics policy.
8. All activities and transactions performed on behalf of the public pension funds must be for the exclusive purpose of providing benefits to plan participants and defraying reasonable expenses of administering the plan.
9. Prohibited transactions. Prohibited transactions are those involving self-dealing. Self-dealing refers to the fiduciary's use of plan assets or material, non-public information for personal gain; engaging in transactions on behalf of parties whose interests are adverse to the plan; or receiving personal consideration in connection with any planned transaction.
10. Violation of these rules shall result in an official reprimand from the TFFR Board. No reprimand shall be issue until the board member has had the opportunity to be heard by the Board.

TFFR Board Adopted: September 15, 2005.

Policy Type: TFFR
Program

Policy Title: Deductions from Annuity Checks

It shall be the policy of the TFFR Board of Trustees to allow teachers and beneficiaries drawing retirement benefits to have payroll deductions subtracted from their monthly payments.

To initiate, change, or stop a deduction, the retiree must notify the administrative office in writing at least ten working days prior to the date the monthly benefit is issued. All deductions withheld will be forwarded to the appropriate entity within three working days after the first of the month or as required by federal/North Dakota state law. Authorization forms are to be kept on file at the administrative office.

The following deductions are available to teachers and beneficiaries receiving monthly annuity benefits:

- Health, life, and other insurance premiums payable to the NDPERS.
- Annual dues payable to the NDRTA and the NDEA Retired organization.
- Federal and North Dakota income tax withholdings.
- Court ordered payments including child support orders, Qualified Domestic Relations Orders (QDRO), IRS tax levies, federal garnishments, and other court ordered payments, subject to approval by the Attorney General's office.

Additional deductions may be added upon approval by the board.

TFFR Board Adopted: May 27, 1993.

Amended: July 16, 1998; March 23, 2000, September 25, 2008.

Policy Type: TFFR
Program

Policy Title: Disclosure to Membership

It shall be the policy of the TFFR Board of Trustees that member handbooks, member statements, and annual financial reports are provided for TFFR members.

- Member Handbooks (Summary Plan Descriptions)

Employers are required to submit enrollment forms for all new members upon employment. All new members will be mailed a current member handbook to their home address within six months of their commencement of participation in TFFR. The handbook will include information about membership, contribution rates, service credit, benefit provisions for service retirement, disability retirement, and survivor benefits, eligibility for those benefits, and how to make application.

All members will be mailed notification that the member handbook is available on the RIO website within six months after adoption of any significant legislative changes made to the plan.

- Member Statements

All active and inactive members will be mailed a statement to their home within six months of fiscal year end reporting the status of their member account as of June 30 of the current year. The information to be reported annually will include: member's name, address, personal identification number, date of birth, beneficiary on file, value of account, retirement salary reported for current year, service credit earned during the current year, accumulated service credit, date of eligibility for unreduced benefits, retirement benefit estimate, and other information pertinent to the teacher's account.

All retired members and beneficiaries receiving monthly benefits will be mailed a statement to their home annually. The information will include: retired member's name, address, personal identification number, beneficiary on file, value of account, accumulated service credit, retirement date, retirement option, benefits received life-to-date, current monthly benefit, and adjustments to benefit (if applicable).

- Annual Financial Report

An annual financial report will be published within six months following every fiscal year end. The report will include financial, actuarial, and investment information about the plan. It will be available on the RIO website, and can be provided to any TFFR member, benefit recipient, or the public upon request.

TFFR Board Adopted: July 16, 1998.

Amended: July 18, 2002; September 20, 2007.

Policy Type: TFFR
Program

Policy Title: Employer Payment Plan Models

The TFFR board has developed three basic models relating to employer payment of member contributions. Models 1, 2, and 3 are outlined in employer instructions prepared by the fund. Special provisions apply to state agencies, college teachers grandfathered in under old laws, counties, and employers that have not adopted a model.

Employers must select the employer payment plan model under which they will pay member assessments on a form provided by the administrative office. The model selected by the employer can only be changed once each year at the beginning of the fiscal year.

Effective July 1, 2003, employers may no longer select Model 3. Any employers currently paying member contributions under this model may continue as a closed group, but Model 3 will no longer be available to other employers.

TFFR Board Adopted: July 16, 1998.
Amended: March 13, 2003.

Policy Type: TFFR
Program

Policy Title: Employer Payment Plan Models –
State Agencies and Institutions

NDCC 15-39.1-09 allows TFFR participating employers to pay all or a portion of member contributions in lieu of a salary increase or under a salary reduction plan.

Special provisions apply for state agencies and institutions. The State does not allow retirement salaries to be grossed up; the State pays 4.00% of the member contributions in lieu of a salary increase, and the remaining 3.75% is deducted from salary.

It is the policy of the TFFR Board to allow the portion of the member contributions deducted from the salary of a TFFR member employed by a state agency or institution to be made on a tax deferred basis.

TFFR Board Adopted: March 15, 2007.

It shall be the policy of the TFFR Board of Trustees that when an unintentional error in the reporting of retirement contributions by a school district is discovered during an audit or other review, the following policy shall be in effect:

- The school district will be billed for all material shortages due plus interest or refunded for all material overpayments.
- The interest charged or paid to the school district shall be the actuarial assumption for earnings of the trust.
- The time period shall be from the onset of the error or three years prior to the beginning of the current school year.
- Failure of the school district to pay the required shortages or provide required information will constitute “failure to make required reports and payments” and require application of section 15-39.1-23, NDCC.
- The TFFR board reserves the right to negotiate with a school district in special situations.

If, as the result of an audit or other review, the participating employer is found not to be in compliance with NDCC 15-39.1:

- The employer must respond in writing to the audit finding(s) and/or recommendation(s) within 30 days of the report.
- NDRIIO will conduct a follow-up review of the audit finding(s) and/or recommendation(s) one year following the date of the report

TFFR Board Adopted: February 22, 1996.

Amended: July 16, 1998; January 24, 2002; April 15, 2004; July 14, 2005; September 20, 2007.

It shall be the policy of the TFFR Board of Trustees to require all employer units to report the collection and payment of member and employer contributions on a monthly basis to the RIO. Both payment and report must be postmarked or sent via the internet by the 15th day of the month following the end of the reporting period. Employer reports must be in a format approved by the TFFR board and may be submitted in one of the following ways: 1) manual – paper reports, 2) electronically – diskettes, 3) internet.

The administrative office will monitor late TFFR reports and payments by employers. Employers that do not meet the established deadlines for filing required reports shall be assessed a civil penalty as required in NDCC 15-39.1-23 unless the Deputy Executive Director/Retirement Officer approves a request for a waiver of the penalty under special circumstances such as:

- Death, surgery, or illness of the individual responsible for TFFR reports or their family.
- “Acts of God” that require an employer to close school such as blizzards, storms, or floods.
- Unforeseen events such as resignation of the individual responsible for TFFR reports, computer malfunction, etc.

The request for a waiver must be in writing and signed by the administrator.

In all late situations, member and employer contributions will be collected from the employer at the earliest date possible. Employers cooperating with TFFR to resolve the late filing of a report shall not have their state apportionment money (foundation payments) withheld, but will be assessed interest as required in NDCC 15-39.1-23.

TFFR Board Adopted: August 29, 1996.

Amended: July 16, 1998; November 18, 1999; March 22, 2001; September 20, 2007.

Policy Type: TFFR
Program

Policy Title: Head Start Program Employees

It shall be the policy of the TFFR Board of Trustees that employees of a Head Start Program (which is not a U.S. Department of Education Program) who are certified to teach and contracted with a school district or other participating employer, are members of TFFR if the following conditions are met:

- Grantee agency for the Head Start Program is the school district which is governed by the local school board.
- Head Start Program employees are on the school district teaching or administrative faculty in positions such as coordinator, director, teacher, or home visitor.
- Head Start Program employees are on the school district salary schedule and negotiate for salary and benefits like other school district teaching faculty.

TFFR Board Adopted: November 20, 1997.

Policy Type: TFFR
Program

Policy Title: Information Dissemination

It is the policy of the TFFR Board of Trustees to allow member and employer interest groups and other approved third parties to send specific information to the TFFR membership using a “blind mailing” method. The information to be mailed and third party organization must be approved by the RIO Deputy Executive Director in advance. Member and employer interest groups include, but are not limited to, North Dakota Council of Educational Leaders (NDCEL), NDEA, NDRTA, and North Dakota School Boards Association (NDSBA).

Under the “blind mailing” method, the third party must submit information or materials they wish to send to TFFR members. The third party must sign an agreement that they will not use the mailing to engage in partisan political activities.

If approved, the third party will forward the materials to an independent mailing company approved by TFFR. The mailing company must sign a “no disclosure” agreement with TFFR.

TFFR will then supply membership mailing information to the mailing company. The mailing company will combine the material from the third party with the mailing list and send to TFFR members. The cost of the mailing will be paid by the third party.

TFFR Board Adopted: July 15, 1999.

Amended: November 15, 2001.

Policy Type: TFFR
Program

Policy Title: Level Income Option

It shall be the policy of the TFFR Board of Trustees to allow members who select the level income retirement option:

1. To level to age 62 or normal retirement age (including any fractional age from age 65 to 67).
2. To combine the level income option with the service retirement options offered (single life annuity, 100 and 50% joint and survivor, 10 and 20 year term certain and life annuity).
3. To reduce a member's retirement benefit the second month following the month the member reaches age 62 or normal retirement age.
4. To apply postretirement legislative benefit increases to the teacher's non-level income monthly retirement benefit.

TFFR Board Adopted: May 29, 1997.

Amended: July 16, 1998; July 24, 2003.

Policy Type: TFFR
Program

Policy Title: Military Service Credit

It shall be the policy of the TFFR Board of Trustees that a teacher purchasing military service be credited with a full year of credit if the service was rendered for at least 175 school days or a period of nine months within any fiscal year.

TFFR Board Adopted: December 5, 1980.

Amended: July 16, 1998.

Policy Type: TFFR
Program

Policy Title: Outreach Program Facilities

It shall be the policy of the TFFR Board of Trustees that school district facilities used for TFFR outreach programs must meet ADA requirements. In addition, authorized school district employees must be present to direct guests to the proper meeting room and lock the building at the close of the program. RIO employees who are conducting outreach programs for TFFR members are not allowed to be in school district buildings without the presence of an administrator, teacher, or other authorized school district employee.

RIO staff will not be able to conduct outreach programs at that site if the above conditions are not met.

TFFR Board Adopted: April 22, 1999.

Policy Type: TFFR
Program

Policy Title: Payment of Benefits

It shall be the policy of the TFFR Board of Trustees to distribute payments for benefit claims (annuities, refunds/rollovers) once per month. Distributions will be mailed on the last working day of the previous month payable on the first working day of each month.

In order for a teacher to assure receipt of a benefit payment on the first working day of the month, the required information and forms must be filed with the administrative office at least ten working days prior to the distribution date.

The Deputy Executive Director/Retirement Officer may authorize special payments to pay benefit claims due to unforeseen circumstances that delay the processing of the claim.

Payments to a teacher approved for a refund/rollover will include all contributions and interest paid by a teacher for the purchase and repurchase of service credit. This is in addition to the entitled refund of accumulated assessments plus interest. The Deputy Executive Director/Retirement Officer may waive the 120-day waiting period for refunds/rollovers based on necessary documentation. Overpayment of refunds/rollovers resulting from erroneous information reported by an employer will be charged back to the employer.

TFFR Board Adopted: May 27, 1993.

Amended: July 6, 1998; November 18, 1999; September 20, 2007.

Policy Type: TFFR Program

Policy Title: PERS Retirement Plan Election (DPI & CTE)

NDCC 15-39.1-09(3) allows new employees of the Department of Public Instruction (DPI), who are eligible for TFFR coverage and hired after January 6, 2001, excluding the State Superintendent of Public Instruction, to elect to become participating members of ND Public Employees Retirement System (PERS).

NDCC 15-39.1-09(4) allows new employees of the Department of Career and Technical Education (CTE) who are eligible for TFFR coverage and hired after July 1, 2007, to elect to become participating members of PERS>

It is the policy of the TFFR Board of Trustees to allow the PERS retirement plan election by eligible new DPI and CTE employees under the following guidelines:

- 1) Any new employee who is required to participate in TFFR under NDCC 15-39.1-01(11)(b) and who is entered onto the payroll of DPI after January 6, 2001 (except the Superintendent of Public Instruction), or CTE after July 1, 2007, is eligible to make the election to become a participating member of NDPERS.
- 2) If eligible, the new employee must complete the “NDPERS/TFFR Membership Election” form within ninety days of hire. Until this election is made, the employee will be enrolled in the NDPERS retirement plan. If no election is made, the employee will be transferred to TFFR.
- 3) If the new employee is a former DPI employee or is retired from DPI and receiving TFFR benefits, the employee must have a one-year break in service to be eligible to elect participation in PERS. If the new employee is a former CTE employee or is retired from CTE and receiving TFFR benefits, the employee must have a one-year break in service to elect participation into PERS.
- 4) If the new employee is a TFFR retiree (but not a former DPI or CTE employee), the retiree may elect participation in PERS upon date of hire. The retiree is not subject to the one-year waiting period and is not subject to the TFFR retiree annual hours limit.

TFFR Board Adopted: January 25, 2001.

TFFR Board Amended: September 20, 2007.

It is the policy of the TFFR Board of Trustees that new retirees will have their initial retirement benefit payment calculated using either estimated or final salary and service credit information:

- Estimated salary and service credit information

The member's initial retirement benefit is calculated using 90% of the estimated current year salary for final average salary calculation purposes. If the final information reported by the employer is different than the estimated information, the member's monthly retirement benefit will be adjusted retroactive to the member's retirement date. Using estimated information allows a member to begin receiving retirement benefits sooner, but results in correction of benefits at a later date retroactive to the member's retirement date.

- Finalized salary and service credit information

The member's retirement benefit is calculated using a finalized current year salary and service credit information. After salary, service credit, and last date of employment are reported by the employer and verified by TFFR, the member's retirement benefit is calculated and claim is processed. Using finalized information delays a member's first retirement benefit payment, but when payment is made, it is retroactive to the member's retirement date.

Under all circumstances, if any change or error in the records of TFFR or a participating employer or if any calculation results in a member receiving more or less in benefits than the member is entitled to receive, TFFR will correct the error and adjust the benefit (NDCC 15-39.1-31 and 32).

TFFR Board Adopted: March 15, 2007.

Policy Type: TFFR
Program

Policy Title: TIAA-CREF Offset Calculation

It shall be the policy of the TFFR Board of Trustees to calculate the TIAA-CREF offset for teachers selecting the 1975 Alternative C Formula for retirement benefits.

It is the responsibility of the teacher to provide the administrative office with information relating to the teacher's retirement date and contribution levels to TIAA and/or CREF on an official agency form. Based on the data provided, the administrative office will request a calculation of certified benefits from TIAA-CREF.

The teacher's retirement benefit as certified by TIAA-CREF will be used as the offsetting amount when calculating the TFFR retirement benefit.

This policy relates to a closed group of college teachers participating in TFFR. The policy shall cease upon retirement of the last participant in the group.

TFFR Board Adopted: January 9, 1976.

Amended: May 27, 1993.

Policy Type: TFFR
Program

Policy Title: Travel

It is the policy of the TFFR Board of Trustees that the Board President is authorized, in consultation with the RIO Deputy Executive Director, to grant approval for travel outside of the continental United States by TFFR board members and to keep the board informed on travel requests.

TFFR Board Adopted: September 27, 2001.

Policy Type: TFFR
Program

Policy Title: Voiding Checks

It shall be the policy of the TFFR Board of Trustees to void any uncashed benefit checks for the payment of retirement, disability, survivor, and refund benefits after six months. Should the payee request payment after six months, the RIO will re-issue a check, but without additional interest.

TFFR Board Adopted: November 21, 1996.

Amended: July 16, 1998.